

marketing quota in terms of the quantity of cotton described in subsection (a) adequate to make available a normal supply of such cotton, taking into account (1) the estimated carry-over at the beginning of the marketing year which begins in the next calendar year, and (2) the estimated imports during such marketing year. The national marketing quota for cotton described in subsection (a) for any year shall not be less than the larger of thirty thousand bales or a number of bales equal to 30 per centum of the estimated domestic consumption plus exports of such cotton for the marketing year beginning in the calendar year in which such quota is proclaimed.

63 Stat. 670.
7 USC 1342,
1344.

7 USC 1346.

“(c) All provisions of this Act, except section 342, subsections (h), (k), and (l) of section 344, the parenthetical provisions relating to acreages regarded as having been planted to cotton, and the provisions relating to minimum small farm allotments, shall, insofar as applicable, apply to marketing quotas and acreage allotments authorized by this section: *Provided*, That the applicable penalty rate for such cotton under section 346 shall be the higher of 50 per centum of the parity price or 50 per centum of the support price for extra long staple cotton as of the date specified therein.

“(d) Unless marketing quotas are in effect under subsection (b) of this section, the penalty provisions of section 346 shall not apply to any cotton the staple of which is one and one-half inches or more in length.

“(e) The exemptions authorized by subsections (a) and (d) of this section shall not apply unless (1) the cotton is ginned on a roller-type gin or (2) the Secretary authorizes the cotton to be ginned on another type gin for experimental purposes or to prevent loss of the cotton due to frost or other adverse condition.”

Approved July 17, 1952.

Public Law 586

CHAPTER 939

AN ACT

July 17, 1952
[S. 241]

To amend the Merchant Marine Act, 1936, as amended, to further promote the development and maintenance of the American merchant marine, and for other purposes.

Merchant Marine Act, 1936, amendments.
49 Stat. 1995.
46 USC 1151.
Construction-differential subsidy.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 501 (a) of the Merchant Marine Act, 1936, as amended, is amended to read as follows:

“(a) Any citizen of the United States may make application to the Commission for a construction-differential subsidy to aid in the construction of a new vessel to be used in the foreign commerce of the United States. No such application shall be approved by the Commission unless it determines that (1) the plans and specifications call for a new vessel which will meet the requirements of the foreign commerce of the United States, will aid in the promotion and development of such commerce, and be suitable for use by the United States for national defense or military purposes in time of war or national emergency; (2) the applicant possesses the ability, experience, financial resources, and other qualifications necessary to enable it to operate and maintain the proposed new vessel, and (3) the granting of the aid applied for is reasonably calculated to replace worn-out or obsolete tonnage with new and modern ships, or otherwise to carry out effectively the purposes and policy of this Act. The contract of sale, and the mortgage given to secure the payment of the unpaid balance

of the purchase price shall not restrict the lawful or proper use or operation of the vessel except to the extent expressly required by law."

SEC. 2. The first sentence of section 501 (c) of such Act is amended to read as follows: "Any citizen of the United States may make application to the Commission for a construction-differential subsidy to aid in reconstructing or reconditioning any vessel that is to be used in the foreign commerce of the United States."

Application.

SEC. 3. Section 503 of such Act is amended by (1) amending the third sentence to read as follows: "At the time of delivery of the vessel the applicant shall execute and deliver a first-preferred mortgage to the United States to secure payment of any sums due from the applicant in respect to said vessel: *Provided*, That, notwithstanding any other provisions of law, the payment of any sums due in respect to a passenger vessel purchased under section 4 (b) of the Merchant Ship Sales Act of 1946, reconverted or restored for normal operation in commercial services, or in respect to a passenger vessel purchased under title V of this Act, which is delivered subsequent to March 8, 1946, and which (i) is of not less than ten thousand gross tons, (ii) has a designed speed approved by the Commission but not less than eighteen knots, (iii) has accommodations for not less than two hundred passengers, and, (iv) is approved by the Secretary of Defense as being desirable for national defense purposes, may, with the approval of the Commission, be secured only by a first-preferred mortgage on said vessel.", and (2) by inserting the following sentences immediately after the third sentence: "With the approval of the Commission such preferred mortgage may provide that the sole recourse against the purchaser of such a passenger vessel under such mortgage, and any of the notes secured thereby, shall be limited to repossession of the vessel by the United States and the assignment of insurance claims, if the purchaser shall have complied with all provisions of the mortgage other than those relating to the payment of principal and interest when due, and the obligation of the purchaser shall be satisfied and discharged by the surrender of the vessel, and all right, title, and interest therein to the United States. Such vessel upon surrender shall be (i) free and clear of all liens and encumbrances whatsoever, except the lien of the preferred mortgage, (ii) in class, and (iii) in as good order and condition, ordinary wear and tear excepted, as when acquired by the purchaser, except that any deficiencies with respect to freedom from encumbrances, condition, and class, may, to the extent covered by valid policies of insurance, be satisfied by the assignment to the United States of claims of the purchaser under such policies of insurance."

46 USC 1153.

First-preferred mortgage.

60 Stat. 43.
50 USC app.
1737.

SEC. 4. The last sentence of section 504 of such Act is amended to read as follows: "Such vessel shall be documented under the laws of the United States as provided in section 503 of this title. The contract of sale, and the mortgage given to secure the payment of the unpaid balance of the purchase price, shall not restrict the lawful or proper use or operation of the vessel, except to the extent expressly required by law."

Documentation.
46 USC 1154.

SEC. 5. Section 507 of such Act is amended by inserting therein after the words "foreign trade" the words "or domestic trade".

46 USC 1157.
Vessels in domestic trade.
46 USC 1159.

SEC. 6. Section 509 of such Act is amended by amending that part of the fourth sentence preceding the proviso to read as follows: "In case the vessel is designed to be of not less than three thousand five hundred gross tons and to be capable of sustained speed of not less than fourteen knots, the applicant shall be required to pay the Commission not less than 12½ per centum of the cost of such vessel, and in the case of any other vessel the applicant shall be required to pay

the Commission not less than 25 per centum of the cost of such vessel (excluding from such cost, in either case, the cost of national defense features); and the balance of such purchase price shall be paid by the applicant within twenty years in not to exceed twenty equal annual installments, with interest at $3\frac{1}{2}$ per centum per annum, secured by a preferred mortgage on the vessel sold and otherwise secured as the Commission may determine: *Provided*, That, notwithstanding any other provisions of law, the balance of the purchase price of a passenger vessel constructed under this section which is delivered subsequent to March 8, 1946, and which has the tonnage, speed, passenger accommodations, and other characteristics set forth in section 503 of this Act, may, with the approval of the Commission, be secured as provided in such section, and the obligation of the purchaser of such a vessel shall be satisfied and discharged as provided in such section: *And provided*,

46 USC 1153.

"Obsolete vessel".
46 USC 1160.

SEC. 7. Paragraph (1) of section 510 (a) of such Act is amended by inserting before the period at the end thereof a colon and the following: "*Provided*, That until June 30, 1958, the term 'obsolete vessel' shall mean a vessel or vessels, each of which (A) is of not less than one thousand three hundred and fifty gross tons, (B) is not less than twelve years old, and (C) is owned by a citizen or citizens of the United States and has been owned by such citizen or citizens for at least three years immediately prior to the date of acquisition hereunder."

Rate.

SEC. 8. Section 510 (d) of such Act is amended by adding the following sentence at the end thereof: "The rate for the use of the obsolete vessel shall be fixed by the Commission for the entire period of such use at the time of execution of the contract for the construction of the new vessel."

Construction reserve fund.
54 Stat. 1106.
46 USC 1161.

SEC. 9. Section 511 (b) of such Act is amended to read as follows:

"(b) For the purposes of promoting the construction, reconstruction, reconditioning, or acquisition of vessels, or for other purposes authorized in this section, necessary to carrying out the policy set forth in title I of this Act, any citizen of the United States who is operating a vessel or vessels in the foreign or domestic commerce of the United States or in the fisheries or owns in whole or in part a vessel or vessels being so operated, or who, at the time of purchase or requisition of the vessel by the Government, was operating a vessel or vessels so engaged or owned in whole or in part a vessel or vessels being so operated or had acquired or was having constructed a vessel or vessels for the purpose of operation in such commerce or in the fisheries, may establish a construction reserve fund, for the construction, reconstruction, reconditioning, or acquisition of new vessels, or for other purposes authorized in this section, to be composed of deposits of proceeds from sales of vessels, indemnities on account of losses of vessels, earnings from the operation of vessels documented under the laws of the United States and from services incident thereto, and receipts, in the form of interest or otherwise, with respect to amounts previously deposited. Such construction reserve fund shall be established, maintained, expended, and used in accordance with the provisions of this section and rules or regulations to be prescribed jointly by the Commission and the Secretary of the Treasury."

Taxes.
46 USC 1161.

SEC. 10. Section 511 (c) of such Act is amended to read as follows:

"(c) In the case of the sale or actual or constructive total loss of a vessel, if the taxpayer deposits an amount equal to the net proceeds of the sale or to the net indemnity with respect to the loss in a construction reserve fund established under subsection (b), then—

Recognition of gain, etc.

"(1) if the taxpayer so elects in his income-tax return for the taxable year in which the gain was realized, or

"(2) in case a vessel is purchased or requisitioned by the United States, or is lost, in any taxable year beginning after December 31, 1939, and the taxpayer receives payment for the vessel so purchased or requisitioned, or receives from the United States indemnity on account of such loss, subsequent to the end of such taxable year, if the taxpayer so elects prior to the expiration of sixty days after the receipt of the payment or indemnity, and in accordance with a form of election to be prescribed by the Commissioner of Internal Revenue with the approval of the Secretary of the Treasury,

no gain shall be recognized to the taxpayer in respect of such sale or indemnification in the computation of net income for the purposes of Federal income or excess-profits taxes. If an election is made under subdivision (2) and if computation or recomputation in accordance with this subsection is otherwise allowable but is prevented, on the date of making such election or within six months thereafter, by any statute of limitation, such computation or recomputation nevertheless shall be made notwithstanding such statute if a claim therefor is filed within six months after the date of making such election.

"For the purposes of this subsection no amount shall be considered as deposited in a construction reserve fund unless it is deposited within sixty days after it is received by the taxpayer.

"As used in this subsection the term 'net proceeds' and the term 'net indemnity' mean the sum of (1) the adjusted basis of the vessel and (2) the amount of gain which would be recognized to the taxpayer without regard to this subsection."

SEC. 11. Section 511 (d) of such Act is amended to read as follows:

"(d) The basis for determining gain or loss and for depreciation, for the purposes of Federal income or excess profits taxes, of any new vessel constructed, reconstructed, reconditioned, or acquired by the taxpayer, or with respect to which purchase-money indebtedness is liquidated as provided in subsection (g), in whole or in part out of the construction reserve fund shall be reduced by that portion of the deposits in the fund expended in the construction, reconstruction, reconditioning, acquisition, or liquidation of purchase-money indebtedness of the new vessel which represents gain not recognized for tax purposes under subsection (c).

Determination of
gain, etc.

SEC. 12. Section 511 (g) of such Act is amended to read as follows:

"(g) The provisions of subsections (c) and (f) shall apply to any deposit in the construction reserve fund only to the extent that such deposit is expended or obligated for expenditure, in accordance with rules and regulations to be prescribed jointly by the Commission and the Secretary of the Treasury—

Tax benefits.
Conditions.
46 USC 1161.

"(1) under a contract for the construction or acquisition of a new vessel or vessels (or in the discretion of the Commission, for a part interest therein), or, with the approval of the Commission, for the reconstruction or reconditioning of a new vessel or vessels, entered into within (i) two years from the date of deposit or the date of any extension thereof which may be granted by the Commission pursuant to the provisions of section 511 (h), in the case of deposits made prior to the date on which these amendatory provisions become effective, or (ii) three years from the date of such deposit in the case of a deposit made after such effective date, only if under such rules and regulations—

"(A) within such period not less than 12½ per centum of the construction or contract price of the vessel or vessels is paid or irrevocably committed on account thereof and the plans and specifications therefor are approved by the Commission to the extent by it deemed necessary; and

“(B) in case of a vessel or vessels not constructed under the provisions of this title or not purchased from the Commission, (i) said construction is completed, within six months from the date of the construction contract, to the extent of not less than 5 per centum thereof (or in case the contract covers more than one vessel, the construction of the first vessel so contracted for is so completed to the extent of not less than 5 per centum) as estimated by the Commission and certified by it to the Secretary of the Treasury, and (ii) all construction under such contract is completed with reasonable dispatch thereafter;

“(2) for the liquidation of existing or subsequently incurred purchase-money indebtedness to persons other than a parent company of, or a company affiliated or associated with, the mortgagor on a new vessel or vessels within (i) two years from the date of deposit or the date of any extension thereof which may be granted by the Commission pursuant to the provisions of section 511 (h), in the case of deposits made prior to the date on which these amendatory provisions become effective, or (ii) three years from the date of such deposit in the case of a deposit made after such effective date.”

Extensions.
46 USC 1161.

SEC. 13. (a) Section 511 (h) of such Act is amended by striking out the proviso thereto and substituting the following: “*Provided*, That until March 31, 1953, in addition to the extensions hereinbefore permitted, further extensions may be granted ending not later than September 30, 1953”.

(b) Section 511 (i) of such Act is amended by inserting after the words “portion thereof” in the second sentence the following: “with respect to a deposit made in any taxable year ending on or before June 30, 1945”.

SEC. 14. Section 511 of such Act is amended by adding at the end thereof a new subsection to read as follows:

Great Lakes,
etc.

“(o) The terms ‘reconstruction and reconditioning’, as used in this section, shall include the reconstruction, reconditioning, or modernization of a vessel for exclusive use on the Great Lakes, including the Saint Lawrence River and Gulf, if the Commission determines that the objectives of this Act will be promoted by such reconstruction, reconditioning, or modernization, and, notwithstanding any other provisions of law, such vessel shall be deemed to be a ‘new vessel’ within the meaning of this section for such reconstruction, reconditioning, or modernization.”

Vessels over 20
years.
46 USC 1175.

Infra.

Report.

SEC. 15. Section 605 (b) of such Act is amended to read as follows:

“(b) No operating-differential subsidy shall be paid for the operation of a vessel that is more than twenty years of age except one whose life expectancy has been determined as provided in section 607 (b) for a period in no case to exceed the life expectancy determined thereunder, unless the Commission finds that it is to the public interest to grant such financial aid for the operation of such vessel and enters a formal order thereon, and the Commission shall include in each annual report a full report covering each case in which such exception is made, with the reasons therefor.”

46 USC 1176.

SEC. 16. Clause (5) of section 606 of such Act is amended by striking out the phrase “twenty-year life expectancy of the subsidized vessels” and inserting in lieu thereof the following: “life expectancy of the subsidized vessels determined as provided in section 607 (b).”

Capital reserve
fund.
46 USC 1177.

SEC. 17. Section 607 (b) of such Act is amended by amending that part of the second sentence preceding the proviso to read as follows: “In this fund the contractor shall deposit annually or oftener, as the

Commission may require, an amount equal to the annual depreciation charges on the contractor's vessels on which the operating differential is being paid, such depreciation charges to be computed on a twenty-year life expectancy of the subsidized vessels, except that the life expectancy of a vessel which shall have been or is to be wholly or partially reconstructed or reconditioned shall upon request be determined jointly by the Secretary of the Treasury and the Commission, and the depreciation charges on such vessel shall be computed on the life expectancy so determined."

SEC. 18. Section 607 (d) of such Act is amended by striking out the phrase "being twenty years" and inserting in lieu thereof the following: "as provided in section 607 (b)".

SEC. 19. Section 607 (g) of such Act is amended by adding at the end thereof the following new sentence: "If a voluntary deposit of earnings approved by the Commission under this subsection after December 31, 1950, results in an overpayment of Federal taxes for any year, interest shall not be allowed on such overpayment for any period prior to the date of approval of the deposit by the Commission."

SEC. 20. Section 805 (c) of such Act is amended to read as follows:

"(c) In determining the rights and obligations of any contractor under a contract authorized by title VI or title VII of this Act, no salary for personal services in excess of \$25,000 per annum paid to a director, officer, or employee by said contractor, its affiliates, subsidiary, or associates, shall be taken into account. The terms 'director', 'officer', or 'employee' shall be construed in the broadest sense. The term 'salary' shall include wages and allowances of compensation in any form for personal services which will result in a director, officer, or employee receiving total compensation for his personal services from such sources exceeding in amount or value \$25,000 per annum.

SEC. 21. Section 905 of such Act is amended by adding at the end thereof a new subsection to read as follows:

"(e) The terms 'United States Maritime Commission' and 'Commission' shall mean the Secretary of Commerce, the Maritime Administrator, or the Federal Maritime Board as the context may require to conform to Reorganization Plan Numbered 21 of 1950, effective May 24, 1950."

Approved July 17, 1952.

Overpayment of taxes.

Limitation on wages.
46 USC 1223.
49 Stat. 2001, 2008.
46 USC 1171-1204.

46 USC 1244.

Definitions.

64 Stat. 1273.
5 USC 1332-15 note.

Public Law 587

CHAPTER 940

AN ACT

Relating to withholding, for State income tax purposes, on the compensation of Federal employees.

July 17, 1952
[S. 1999]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That where—

(1) the law of any State or Territory provides for the collection of a tax by imposing upon employers generally the duty of withholding sums from the compensation of employees and making returns of such sums to the authorities of such State or Territory, and

(2) such duty to withhold is imposed generally with respect to the compensation of employees who are residents of such State or Territory,

then the Secretary of the Treasury, pursuant to regulations promulgated by the President, is authorized and directed to enter into an agreement with such State or Territory within one hundred and twenty days of the request for agreement from the proper official of

Withholding of State income taxes by Federal agencies.

Agreement.